



ELENIA

Tax Strategy

Contents

1	Background
2	Responsibilities and Roles
3	Tax Strategy
4	Tax Risk Management
5	Transfer Pricing
6	Sustainability in Taxation

Background



- Elenia operates in the energy sector which is characterized by capital-intensive long-term investments.
- Elenia has an extensive, long-term investment programme under way to ensure compliance with the quality requirements stipulated by the Electricity Market Act and support society's transition to a zero-emission energy system.
- Our investments in 2022–2036 amount to EUR 2 billion. This is reflected in Elenia's taxation, which is why predictability and certainty are very important to us with regard to taxes as well.
- Following to the sustainability and transparency requirements related to the EU Taxonomy and GRI 207 – standard (Global Reporting Initiative) it was decided that Elenia prepares a separate tax strategy that documents the tax principles we follow.

Roles and Responsibilities



- The Board of Directors approves Elenia's tax strategy and any amendments thereto. Elenia's CFO is in charge of the implementation of the tax strategy and proposes potential amendments to the Audit Committee and the Board of Directors. The need to update the tax strategy is assessed annually.
- Elenia's CFO reports regularly to the Audit Committee and the Board of Directors on essential matters related to taxation. Elenia's Finance, Treasury and Legal -unit is mainly in charge of the operative management of tax-related matters but in terms of certain taxes (e.g. electricity tax, real estate tax) responsibilities have been delegated to other business units. Finance, Treasury and Legal -unit coordinates and assists other units in managing tax matters if necessary.
- We use tax advisory services when necessary, for example, in connection with amendments to tax laws. Elenia's CFO is in charge of the procurement of such advisory services and in practice Elenia's Finance, Treasury and Legal -unit coordinates the procurement.

Tax Strategy



- Elenia's tax strategy is based on domestic and international tax laws, regulations and established interpretations of tax laws. We engage in tax planning in the spirit of the legislation governing taxes and use our business operations as the starting point. We do not engage in artificial arrangements or arrangements carried out purely for tax-related purposes, nor do we engage in aggressive tax planning. The methods Elenia uses in planning the taxable profit of group companies are, for example, planning tax-deductible fixed asset depreciations, granting group contributions and utilizing accumulated taxable losses. We pay all our taxes to Finland.
- Tax strategy is based on Elenia's business strategy, sustainability, risk management policy and Code of Conduct. Elenia is committed to continuous development with regard to taxation. This ensures that tax-related matters are managed responsibly and in accordance with sustainable principles. Our taxation and the related criteria are predictable and transparent.
- Our tax strategy covers all direct and indirect taxes associated with our operations. They include income tax, electricity tax, value added tax, capital gains tax, transfer tax and real estate tax, amongst others. Also included in taxes are the withholding taxes and social security contributions deducted from the salaries of the employees. Electricity tax collected from customers constitutes the largest share of Elenia's tax footprint. The collection of electricity tax is prescribed to be carried out by distribution system operators by law, with the Parliament deciding the tax rate.

Tax Risk Management



- We proactively identify, assess and manage tax-related financial, business, reputation and compliance risks. Tax risks, like the Group's other business risks, are managed as part of normal risk management in accordance with Elenia's risk management policy and procedures.
- Elenia's tax risks have been defined as follows: "Taxation (national or international legislation, case law, interpretation by the tax authorities) changes to the unfavorable direction for Elenia or differences of interpretation arise between Elenia and the tax authorities regarding Elenia's taxation, which leads to significant tax consequences".
 - Mitigative actions to manage tax risks include for example extensive use of external tax advisor services, regular meetings with advisor's tax team who also checks Elenia companies' tax returns before they are delivered to tax authorities. In addition, we actively monitor the development of national and international tax regulations, analyze their impact on Elenia and aim to influence national tax regulations. Elenia's tax-related advocacy efforts take place through Finnish Energy and the Confederation of Finnish Industries. Elenia has also prepared for a possible tax audit.
- To ensure correct tax treatment and in order to avoid any major tax-related disagreements later on, we provide the tax authorities with all the information necessary for the processing of tax-related matters. When needed, advance rulings or similar assurances from the tax authorities are requested to support tax assumptions made in significant business transactions or in uncertain tax positions. We file tax returns on time and pay our taxes in the correct amounts and in a timely manner.

Transfer Pricing



- Elenia has group companies in Finland and in Luxembourg. Our transfer pricing is based on the OECD's arm's length principle, and this principle applies to all intra-Group transactions.
- Elenia's transfer pricing documentation is updated annually under the coordination of Elenia's Finance, Treasury and Legal -unit.
- We do not operate in countries identified by the EU as non-cooperative jurisdictions for tax purposes.

Sustainability in Taxation



- We follow closely not only the changes in tax legislation but also the development of standards and recommendations related to sustainability reporting of taxes. We report on Elenia's taxation in our sustainability report in accordance with the GRI-207 standard (Global Reporting Initiative).
- We disclose our taxes in our consolidated financial statements in compliance with the international financial reporting standards (IFRS) and aim to ensure that our stakeholders understand the key factors associated with our taxation. We also publish annually Elenia's tax footprint which describes both the total amount of taxes and tax-like charges that our operations generate for the society and how they are divided into taxes and fares paid by Elenia and taxes we are legally obligated to collect from our customers. We are committed to ensuring that our tax-related disclosures are relevant and correct.
- Elenia uses a whistleblowing channel which helps us to ensure that we comply with Elenia's Code of Conduct and legal regulations in all situations. Through the whistleblowing channel Elenia's personnel or any other stakeholder can report actual and suspected misconduct in Elenia, also covering tax-related items.

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